Power for Jobs

2000 Report
on
Power for Jobs Activity

June 2001

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Honourable Iona Campagnolo
Lieutenant-Governor
Province of British Columbia

May It Please Your Honour:

I respectively submit the annual report on Power for Jobs for the 2000 calendar year.

Richard Neufeld
Minister of Energy and Mines

Honourable Richard Neufeld
Minister of Energy and Mines
Province of British Columbia

Dear Minister:

I respectfully submit the annual report on Power for Jobs for the 2000 Calendar year.

J.D. (Jack) Ebbels
Deputy Minister
Ministry of Energy and Mines

Ministry of Energy and Mines
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On November 14, 2001 the Power for Jobs Program was eliminated as part of the provincial government's plan to end business subsidies. The Province will continue to honour agreements already in place, but will not accept new applications or modifications to existing agreements. The following report is a summary of program activities for 2000.

Power for Jobs at a glance

The Power for Jobs initiative is Government's program to use the Province's electricity resources, including the Canadian Entitlement to the Columbia River Treaty downstream power benefits (the Entitlement), to generate investment and create jobs in the Province. The Power for Jobs Development Act (the Act) was introduced in June 1997 and was brought into force by regulation in December 1997. An annual report to the Lieutenant Governor in Council on Power for Jobs activity in the preceding calendar year is required under Section 13 of the Act.

The Act and regulation allow Government to provide "development power rates" to either new or expanding companies or to firms in distress that have an economic plan under the Job Protection Commission. The Administrator is responsible for assessing and negotiating Power for Jobs agreements, however the Lieutenant Governor in Council must approve any agreement.

The Act also allows Cabinet to set flexible power pricing terms and conditions such as discounts linked to commodity prices or phasing of production processes (risk sharing). The rates are individually negotiated with companies to ensure flexibility. Power for Jobs agreements are kept confidential to ensure company confidentiality and so as not to set a precedent for future negotiations.

The main criteria considered for a Power for Jobs agreement are:

- the creation or retention of jobs;
- net revenues to Government (i.e. increased tax revenues via new/retained investment exceeds lost Downstream Benefits revenues through provision of discount power);
- short-term need for discount; and
- long-term viability of the investment.

Power for Jobs highlights and accomplishments in 2000

1. Development Power Rates for New or Expanded Operations

Solex Gas Liquids Inc. - On July 27, 2000 the Order in Council implementing a Development Power Rate for Solex was approved and ordered. The Power for Jobs arrangement provides Solex with up to 16 MW of power at flexible rates tied to commodity prices for the rebuild and expansion of the gas liquids plant which extracts butane, propane and ethane from natural gas. This project creates five new full-time positions in Taylor, British Columbia and 676 person-years of construction employment.

2. *Job Protection Commission Power for Jobs customers*

Louisiana Pacific Corp. - On Feb. 17, 2000 the Order in Council implementing the Development Power Rate for Louisiana Pacific was approved and ordered. The Province agreed to transfer the power arrangements in the March 1999 Job Protection Commission economic plan for Louisiana Pacific's Chetwynd pulp mill to a Power for Jobs agreement, retaining 180 jobs. The development power rate provides Louisiana Pacific with flexible power rates tied to commodity prices on up to 60 MW.

3. *Other Power for Jobs activity in 2000*

The Ministry received many inquiries on the Power for Jobs program throughout the year. Detailed discussions of the program criteria and applicability were held with several companies. Only one company, Henry Industries, submitted a formal application for its project. The application has been reviewed and the applicant was asked to provide additional documentation.

Throughout 2000, discussions were held with Viva Magnetics (Canada) Ltd. regarding the apparent difficulties the company was having in continuing to meet all of the terms and conditions of their Power for Jobs agreement, and ways in which the situation could be rectified.*

Getty Copper Corp. approached the Ministry seeking to move forward on a Power for Jobs agreement that was initiated in 1998 as a part of the Ministry's 1997 Request for Proposals. The agreement was not finalized, as it was not clear that the company was able to proceed with the project at that time. In June, the Power for Jobs Administrator requested that Getty provide evidence that it was now in a position to proceed with the project. In December 2000 Getty provided documentation to that effect.**

Ministry staff continued discussions with aluminum and semiconductor companies. Although there have been no Power for Jobs applications from these companies, it is expected that a Power for Jobs agreement could be a part of any package developed to attract these companies to British Columbia.

The high market price for power witnessed in 2000 has implications for the Power for Jobs Program. The increased price of power on the market increases the opportunity cost of using the Canadian Entitlement and other surplus power for Power for Jobs initiatives. Thus, the provincial benefits derived from a Power for Jobs agreement have to be that much greater to ensure that there are net benefits to British Columbians. While no application was rejected on this basis in 2000, it does indicate that there may be limited new program activity while power prices remain high.

4. *Summary of Power for Jobs arrangements to December 31, 2000:*

From the 1997 Request for Proposals:

Whistler/Blackcomb (OIC 171, Feb. 5, 1999) - Whistler/Blackcomb is eligible to receive up to 9 MW for an expanded snowmaking system designed to ensure dependable early and late season coverage for an extended ski season. The investment is expected to create up to 140 full-time equivalent jobs.

Viva Magnetics (Canada) Ltd. - (OIC 194, Feb. 18, 1999) - Located in Delta, Viva Magnetics will receive up to 6 MW for expanded production of injection-moulded plastic products for the music and computer industry, which is expected to create up to 90 new jobs. (Note: this OIC was rescinded in April 2001.)

Burnaby Lake Greenhouses (OIC 195, Feb. 18, 1999) - Located in Surrey, Burnaby Lake Greenhouses will receive up to 2.5 MW for lighting as part of a 112,500-square-metre expansion that will employ an additional ten persons.

Gibraltar Mines (OIC 899, July 22, 1999) - Gibraltar Mine, located at McLeese Lake, will receive up to 30 MW for the development of a new pit to re-open/extend the life of the mine. This will retain 270 jobs.

Jobs Protection Commission Power for Jobs Customers:

Highland Valley Copper (OIC 728, June 25, 1999) - Highland Valley Copper at Logan Lake is eligible to receive up to 131 MW of power under a development power rate linked to copper prices, retaining 1,000 jobs.

Louisiana Pacific Corp. (OIC 183, Feb. 17, 2000) - Louisiana Pacific is eligible to receive up to 60 MW at flexible power rates tied to commodity prices for its Chetwynd pulp mill, retaining 180 jobs.

Independent Applications:

Solex Gas Liquids Inc. (OIC 1207, July 27, 2000) - Solex is provided with up to 16 MW of power at flexible rates tied to commodity prices for the rebuild and expansion of its gas liquids plant in Taylor, creating five new full-time positions.

* In March 2000, Viva responded to the Ministry that it did not expect to be able to rectify the situation in the foreseeable future. The OIC implementing Viva's Power for Jobs agreement was rescinded in April 2001.

** An Order in Council for the Getty Copper Development Power Rate Agreement was signed in April 2001.